

Committee: Cabinet	Date: 2 nd December 2009	Classification: Unrestricted	Report No: (CAB 085/090)	Agenda Item:
Report of: Assistant Chief Executive Lutfur Ali Originating officer(s) Afazul Hoque Scrutiny Policy Manager		Title: Affordable Homeownership – responses to the recommendations of the Scrutiny Review Working Group Wards Affected: All		

1. **SUMMARY**

- 1.1 This report includes the report and the action plan in response to the recommendations of the Overview and Scrutiny Committee Working Group on Affordable Homeownership.

2. **RECOMMENDATIONS**

Cabinet is recommended to –

- 2.1 Consider the report of the Overview and Scrutiny Committee Working Group on Affordable Homeownership as attached at Appendix 1.
- 2.2 Approve the response to the recommendations from the Overview and Scrutiny Committee Working Group on Affordable Homeownership attached at Appendix 2.

3. **BACKGROUND**

- 3.1 The Affordable Homeownership Scrutiny Review Working Group was established in November 2008 and undertook its work over six months. Chaired by Councillor Waiseul Islam, Scrutiny Lead for A Great Place to Live, the key aim of the review was to look at the difficulties of accessing affordable homeownership. This has always been of concern to local residents and heightened by the current economic down-turn, particularly as the pressures on social housing continue to grow. To complete their investigation the Working Group considered:

- Access to current affordable homeownership, including advertising and take-up of schemes;
- Affordability of shared ownership as a current model, considering rent and service charge calculations;
- The role of developers in making homeownership more affordable and accessible for local people;
- Alternative model(s) of affordable homeownership.

- 3.2 The Working Group undertook site visits to a number of shared ownership schemes and considered the value of the properties and schemes for local residents. This provided them with an understanding of the practical aspects of the schemes – how they are designed and developed and what the financial impact might be for local residents.

3.3 The Working Group heard from the Commission of Mutual and Co-operative Housing about the community land trust model. The Housing Director of Coin Street Community Builders presented the history of its development and a local resident attended to share their experience of living in a local 'shared equity' scheme. These accounts helped Members to debate alternative models.

3.4 The report with recommendations is attached at appendix 1 and the action plan is attached at appendix 2. Producing a report and agreeing an action plan is only part of the role of Overview and Scrutiny. An essential task is to monitor the progress of implementing the recommendations. This allows Overview and Scrutiny to demonstrate the value of its work in improving services and consider whether the anticipated benefits are realised. To achieve this, the Committee will consider six monthly updates on the recommendations.

4. COMMENTS OF THE CHIEF FINANCIAL OFFICER

4.1 This report considers the Overview and Scrutiny Committee Working Group's Affordable Homeownership's report and recommendations.

4.2 There are no specific financial implications emanating from this report but in the event that the Council agrees further action in response to the affordable homeownership report's recommendations then officers will be obliged to seek the appropriate financial approval before further financial commitments are made.

5. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)

5.1 Cabinet is asked to consider the report of the Overview and Scrutiny Committee dealing with Affordable Homeownership and approve a proposed response.

5.2 The Council is required by section 21 of the Local Government Act 2000 to have an Overview and Scrutiny Committee and to have executive arrangements that ensure the committee has specified powers. Consistent with this obligation, Article 6 of the Council's Constitution provides that the Overview and Scrutiny Committee shall make reports and recommendations to the Full Council or the Executive in connection with the discharge of any functions. It is consistent with the Constitution and the statutory framework for Cabinet to provide a response.

5.3 The Council has housing and planning functions that relate to the delivery of affordable homes. In addition, the Community Plan makes the provision of affordable housing a priority under the theme of A Great Place to Live, which may in turn activate the Council's well-being power in section 2 of the Local Government Act 2000.

6. ONE TOWER HAMLETS CONSIDERATIONS

6.1 The report outlines a number of recommendations which aim to increase affordable homeownership particularly for families on low income and residents from different backgrounds.

7. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

7.1 There are no implications.

8. RISK MANAGEMENT IMPLICATIONS

8.1 There are no immediate risk management implications.

Local Government Act, 1972 Section 100D (As amended)
List of “Background Papers” used in the preparation of this report

Brief description of back ground papers”
None

Name and telephone number of holder and address where open to inspection.

9. **APPENDICES**
Appendix 1 – Scrutiny review report
Appendix 2 – Action Plan



London Borough of Tower Hamlets

**Report of the Scrutiny Review Working Group on
Affordable Homeownership**

June 2009

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Acknowledgements

The Scrutiny Review Working Group would like to thank all the officers, Common Housing Register partners, developers and other stakeholders who have contributed and supported this review. The Working Group would like to thank in particular the resident of Glenkerry Housing Co-operative for openly sharing his experiences. The contributions of all those involved has helped to shape the final recommendations which are contained within this report.

Working Group Chair:

Councillor Waiseul Islam

Working Group Members:

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Councillor Dulal Uddin

Councillor Rania Khan

Councillor Shahed Ali

Councillor Oliur Rahman

Councillor Timothy Archer

Other Members:

Councillor Ahmed Hussain

Councillor Marc Francis – Lead Member for Housing and Development

Co-opted Members:

Sunita Gupta – Future Women Councillor Initiative

Crissy Townsend – Future Women Councillor Initiative

London Borough of Tower Hamlets:

Paul Evans – Interim Corporate Director Development and Renewal (Until February 2009)

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Michael Keating – Service Head Scrutiny and Equalities

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Forida Khanom – Graduate Trainee

External:

Resident – **Glenkerry Housing Co-operative**

Michael Tyrell – Chief Executive, **Tower Hamlets Community Housing**

Gavin Cansfield – Chief Executive, **Tower Hamlets Homes**

Joan Murphy - Director Strategic Operations, **Poplar Harca**

Sandra Fawcett – Housing Director, **SWAN Housing Group**

John Brewster – Assistant Chief Executive and Director of New Business and Partnerships, **Gateway Housing**

Steve Patching – Marketing Manger, **Gateway Housing**

Geoff Pearce – Group Director of Development, **East Thames Group**

Nick Drew – Partnership Director, **Telford Homes Plc**
Christine Czechowski – Housing Director, **Coin Street Community Builders**
David Rodgers – Commissioner, **Commission for Mutual and Co-operative Housing**
James Macpherson – Assistant Director of New Business, **Notting Hill Housing**

Historically housing has always aroused passions. This is more so in Tower Hamlets, home to diverse communities of people who arrive from other parts of Britain and abroad, settle here and then gradually disperse to other areas making way for new settlers. Tower Hamlets is also the hub of business with Docklands in the south of the borough. It is a key location for those who want to work and live here. With changes in social and market housing, coupled with the economic pressures of today, we need to find ways of alleviating the pressures on social housing and to bring about opportunities to support those who aspire to homeownership.

Overcrowding and the demand for social housing have continued to rise locally and shared ownership schemes designed to assist people into homeownership haven't been as successful as anticipated.

This report follows a six month enquiry in which the Working Group visited shared ownership schemes open to local residents and engaged external expertise on the concept of community land trust model. We also invited a number of developers to our meetings and they contributed ideas for making homeownership more accessible for local people.

The review also heard from a local resident living in a shared equity model of housing. This proved to be a useful insight into access to homeownership and community led models.

This has been a challenging review to work on however we believe we have set out a number of recommendations to match the challenges of the times we live in. We urge those responsible and involved in housing to work together to address the issues and recommendations highlighted in this report. In the spirit of partnership we would ask that the recommendations are developed through the Tower Hamlets Housing Forum with the involvement of the Housing Options Zone Agent to enable all our partners to take part in taking forward affordable homeownership.

I would like to thank all the officers and the Working Group Councillors for their contributions to this review.

Councillor Waiseul Islam
Scrutiny Lead, A Great Place to Live

Introduction and recommendations

Introduction

1. During 2007/08 Overview and Scrutiny undertook a review on the Choice Based Lettings scheme. The review identified overcrowding, the lack of affordable homeownership and its impact on social housing as key challenges for the borough. This Working Group therefore wanted to develop a better understanding of affordable homeownership and the difficulties of accessing and maintaining it. Members were keen to explore local solutions to these problems.
2. The Affordable Homeownership Scrutiny Review Working Group was established in November 2008 and undertook its work over six months. Chaired by Councillor Waiseul Islam, Scrutiny Lead for A Great Place to Live, the key aim of the review was to look at the difficulties of accessing affordable homeownership. It has always been of concern to local residents and this has been heightened by the current economic down-turn, particularly as the pressures on social housing continue to grow. To complete their investigation the Working Group considered:
 - Access to current affordable homeownership, including advertising and take-up of schemes;
 - Affordability of shared ownership as a current model, considering rent and service charge calculations;
 - The role of developers in making homeownership more affordable and accessible for local people;
 - Alternative model(s) of affordable homeownership.
3. A number of key issues were noted at the outset, including the complexity of the housing market and housing need. The challenges for residents in obtaining the necessary finance to access homeownership and the challenges for the local authority and developers in the current economic climate. In particular, the challenges of agreeing and introducing an untested local model were noted.
4. The Working Group undertook a site visit to a number of shared ownership schemes and considered the value of the properties and schemes for local residents. This provided them with an understanding of the practical aspects of the schemes – how they are designed and developed and what the financial impact might be for local residents.
5. A Commissioner from the Commission of Mutual and Co-operative Housing provided information on the community land trust (CLT) model. This session was attended by registered social landlords (RSLs) and developers. The information presented by the Commissioner on how CLTs work remained a key issue throughout the review. They also heard from Coin Street Community Builders and from a local resident living in Glenkerry House, a form of shared equity scheme.
6. The Working Group's recommendations are intended to support the findings and recommendations of other improvement initiatives. They aim to improve access to and public understanding and awareness of affordable homeownership in Tower Hamlets as the economic downturn continues.

Recommendations

- 1) That wider publicity and promotion is undertaken of the Housing Options service including sign-posting from Lettings and Homeless Services;**
- 2) That the Development and Renewal Directorate consider local lifestyle issues and emphasise provision of separate kitchen and living space (not open plan) in the development of future schemes;**
- 3) That the Development and Renewal Directorate work with the Homes and Communities Agency to re-assess intermediate rent levels with a view to making it affordable for local people;**
- 4) That the Tower Hamlets Housing Forum support the development of the Discounted Market Sales model working in conjunction with developers;**
- 5) That the Development and Renewal Directorate investigate the development of a shared equity scheme open only to residents of Tower Hamlets;**
- 6) That the Development and Renewal Directorate undertake a full feasibility study to consider the development of a local community land trust model using external expertise.**

Background

7. Housing and its affordability is a major national and local issue. In Tower Hamlets it is of particular concern to Members and residents because the borough has experienced sharp price rises and the demand on social housing is immense. It continues with the expansion of Canary Wharf as employment opportunities brings with it people who want homes in the borough. Overcrowding remains a key issue. The current numbers on the Council waiting list are 22,007¹ (April 2008).
8. Homeownership can have a positive impact and reduce long term dependency on welfare support. The Right to Buy (RTB) initiative has traditionally been the access route to homeownership for those living in social housing. Many local residents have benefited from this. Over time the discount received on the property has reduced. It has also resulted in stock loss for social housing. The receipts received by the Council from RTB sales have been too little to reinvest in housing to have any real impact on housing need. This questions the sustainability of the model.
9. The borough has experienced rapid development and shared ownership has emerged as the approach for supporting access to affordable homeownership. Members were keen to review how successful shared ownership has been and to use the review to explore other ways of increasing access.
10. The East End has historically been a settling point for new and emerging communities. Poverty and deprivation has usually been widespread, making 'a decent home for all at a price within their means' all the more important. Given the national context i.e. the situation with the financial markets, it's just as important that those in affordable homeownership and those who aspire to homeownership are assisted to alleviate unmet needs, relieve pressures on social housing demand and to make affordable homeownership truly affordable.
11. The data from the 2001 Census² indicates a rapidly growing population and the London Mayor's Housing Strategy³ indicates the trend is likely to continue. The borough now has one of the highest population densities in inner London. The Census data also shows that the borough is ethnically very diverse with almost half of residents from minority ethnic communities. 34% of the population is Bangladeshi, the single largest minority ethnic group. Overcrowding continues to be an issue with this community and the demand for family size units continues to grow. Work is currently being developed to produce a stronger evidence base for this.
12. In housing terms, the diversity of communities also represents a range of needs. Asian households are more likely to be significantly larger than those of other ethnicities. The average number of people in an Asian household was found to be 4.3, in contrast to 1.9 persons in a White household and 2.4 persons in a Black household.⁴ Consequently, Asian households are more likely to be overcrowded. The 2001 Census determined that seven out of ten (70%) have at least one room less than they required, compared to a half (48%) of Black households and a quarter (23%) of White households. The Housing Needs Survey⁵ used a tighter definition of overcrowding, based on the Bedroom Standard, which, while showing much smaller totals, also revealed even greater discrepancies. It shows 32% of Asian households

¹ Housing Strategy 2009/12, London Borough of Tower Hamlets - (Draft)

² <http://www.statistics.gov.uk/cci/nscl.asp?ID=7600>

³ <http://www.london.gov.uk/mayor/housing/strategy/index.jsp>

⁴ Housing Needs Survey. Households were ascribed the ethnicity of the survey respondent.

⁵ Housing Needs Survey. 2004

as overcrowded, compared to 12% of Black households and 4% of White households. The borough average was 12%.

13. The local population is also comparatively young. The 24-30 year old group represents 34% of the total population and a further 22% is under the age of 15. Together with this, the elderly population is forecasted to grow alongside the population of young people. This highlights the need for both smaller size units and larger size family accommodation.
14. Deprivation is high. 62.5% of working age residents are economically active compared to 75% in London⁶. Household income is £37,930 unequivalised or £37,634 equivalised⁷ after housing costs. Only 9% of working age Council tenants are not claiming housing benefits whilst for housing association tenants the figure is 36%.⁸This identifies a small number of social housing tenants who can access a mortgage and be assisted into homeownership. Members also argued that of tenants who are claiming benefits and cannot access a mortgage, their sons and daughters may be able to access a mortgage and be supported into homeownership. This would alleviate pressures on social housing and can ease overcrowding if sons and daughters can be assisted to move out of the overcrowded homes.
15. Members were acutely aware of the impact of housing on the education of children, health of residents and the limitations it can impose on the lifestyle and aspirations of local residents. They were keen for the review to develop models which would increase access to affordable housing.

Regional Context

16. The Government has put in place a number of policies, targets and funding streams to increase the supply of affordable housing. Local authorities and their partners have a key role to play in using planning and strategic housing functions to implement this. The Housing Green Paper 'Homes for the future: more affordable, more sustainable'⁹ sets out with the focus of supplying additional affordable housing and improving the condition of existing housing in the context of house prices rising more steeply in relation to income (affordability), a commitment to improve supply (need and supply) and to meeting the challenges presented by climate change.
17. Planning Policy Statement 3 (PPS3), sets out the planning policy framework for delivering the Government's housing objectives. This document is considered in the preparation of local and regional development and strategic documentation. The strategic objective is to ensure that everyone has the opportunity to live in a decent home which is affordable and in a community where people want to live. PPS3 requires all boroughs to improve the affordability and supply of housing. It also advocates the most efficient and effective use of land, including building on brownfield land and in locations that offer good access to employment opportunities, key services and social infrastructure (e.g. clinics, schools, community facilities).
18. The Government's definition of affordable housing includes social rented and intermediate housing provided to specified eligible households whose needs are not met by the market. It should meet the needs and be available at a cost low enough for local residents to afford, determined with regard to local incomes and local house prices. It should include the provision for the home to remain at an affordable price

⁶ Office of National Statistics

⁷ DMAG Briefing, PayCheck 2007, February 2008

⁸ Draft Housing Strategy, 2009/12

⁹ Homes for the future: more affordable, more sustainable, Department for Communities and Local Government, July 2007

for future eligible households or, if these restrictions are lifted, the subsidy to be recycled for alternative affordable housing provision.

19. The London Plan sets out the Mayor's spatial plan and includes housing. The Plan projects that the London population could increase between 0.79 million to 1.14 million during 2006 -2026. Based on this projection, targets for housing have been set in anticipation of the resulting demand. It estimates that 353,500 homes would be needed to meet both new and historic unmet demand. This would equate to about 35,400 additional homes per year. For Tower Hamlets, the targets for additional homes between 2007 and 2017 have been set by the Mayor at 31,500 (or 3,150 units per year). Anticipating changes and influences by market forces, these targets have been set with the aim of reviewing them every five years.
20. The London Plan and its Housing Supplementary Planning Guidance¹⁰ target intermediate housing at households on moderate incomes defined as between £16,900 and £52,500 with a median of £35,600. The current Mayor has revised this. The May 2009 Draft Mayor's Housing Strategy states "the top of the income range for low cost home ownership should increase to the equivalent of joint salary of two basic rate tax payers in London for people unable to buy on the open market." It anticipates that this will increase the number of eligible households by 60,000 in London.¹¹

The Local Development Framework

21. The Local Development Framework sets out the policy and planning framework with which planning decisions must comply. Linked to the Community Plan it provides a strategic spatial strategy for the borough. It is the delivery mechanism for housing. Its preparation must include a robust evidence base to identify key challenges and opportunities. The Housing Strategy 2009/12 details evidence which recognises the key challenges as being:

- A lack of affordable homes
- Unaffordable market housing for those on low to medium income
- High levels of overcrowding

Our LDF is currently being developed and as such has not yet been approved.

22. Our Housing Strategy sets out a clear commitment to the following:

- Delivering and managing decent homes – bring housing to Decent Homes Standards with all landlords delivering at least a good management service;
- Placemaking and sustainable communities – ensuring that new and regenerated housing environments make a positive contribution to places and opportunities for people;
- New housing supply – increasing the supply and quality of housing, affordable housing in particular and ensuring it provides opportunities to deliver employment and training opportunities;
- Investment strategy – maximising funding to deliver affordable housing, meeting Decent Homes Standard and delivering estate renewal.

23. Using this review Members set about exploring ways of increasing access both in terms of access to services that administer homeownership and access to a home for those residents who aspire to homeownership.

Local context

24. The refreshed Community Plan for Tower Hamlets sets out the vision to 'improve the quality of life for everyone living and working in Tower Hamlets'. The well established

¹⁰ Housing Supplementary Planning Guidance, Mayor of London, November 2005

¹¹ The London Housing Strategy (Draft), Greater London Authority, May 2009

Community Plan sets out a vision for Tower Hamlets to 2020 and the themes of A Great Place to Live and One Tower Hamlets are central to this review. A Great Place to Live sets out the aspiration to make Tower Hamlets a place where people enjoy living, working and studying and take pride in belonging. Key to this is giving people an opportunity to live in decent homes which they can afford. The Plan contains a commitment to increasing the supply of new homes which are affordable; social rented units which are smaller units, family size units and a commitment to low cost homeownership and is supported by Local Area Agreement targets.

25. Members were aware that in the context of acute housing needs and the limitations of the availability of affordable housing options, any truly affordable housing models will supply a small number of homes in a highly populated area where the demand is very high.

Affordability

House price and sales volume - Tower Hamlets London borough

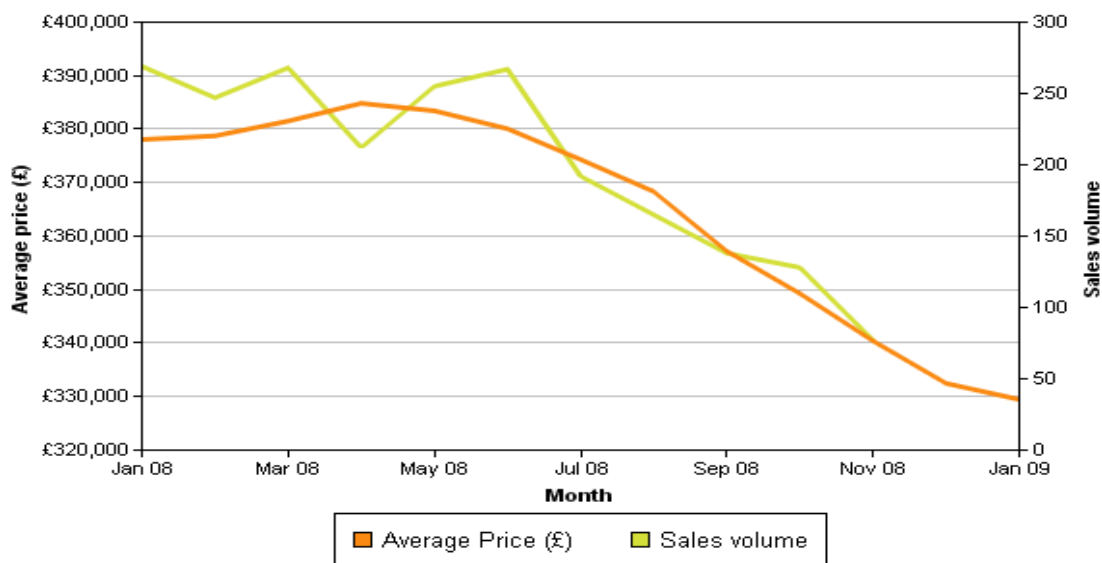


Figure 1 - Average prices in Tower Hamlets by sale volume¹²

26. The demand for social housing and the challenges of the private market leave many local people unable to buy or rent. At the end of 2008, the start of the recession saw the reduction of sales volumes and prices. This downward spiral continues with the average price of a local property costing £329,000 in January 2009 – still unaffordable for the majority of local residents.

27. Alison Thomas, the Private Sector and Affordable Housing Manager in Development and Renewal, explained the affordability gap using information provided by Hometrack¹³. The average price of a property in St Katherine's and Wapping ward, for example, is £419,600 while in St Dunstan's and Stepney Green it will cost £276,500 (the lowest average in Tower Hamlets). There would have to be significant fall in house prices to price households back into the market. Hometrack estimates that to buy the lowest priced property in St Dunstan's a person would need 14.3 times their income. This means that 64% of young working households are unable to afford lower priced properties in the borough. Given this information Members were keen to establish whether the current affordable homeownership model (shared ownership) was working in Tower Hamlets and to formulate other options for making affordable homeownership much more accessible to local working people.

¹²<http://www.landregistry.gov.uk/houseprices/housepriceindex/report/default.asp?step=4&locationType=0&area=Tower+Hamlets&reporttype=1&datetype=1&from1=04%2F2006&from2=01%2F2008&image2.x=13&image2.y=16>

¹³ Hometrack is a provider of residential property and housing information.

Key findings

Access to affordable homeownership

28. Information about the local shared ownership schemes and how they are advertised were presented to the Group. Housing Options is the brand name for the Pan London low cost homeownership programme. Two London agencies have been set up as a 'One-Stop-Shop' for customers to access schemes and essentially provide marketing services. Tower Hamlets is part of Metropolitan Home Ownership (MHO). Their services are hosted through a website which provides RSLs with a list of interested applicants eligible for schemes so that they can undertake targeted advertising. MHO host regional and Pan-London housing shows and provide key government agencies with statistics and monitoring information. Applicants need only complete one application for any of the schemes and register for free.

29. Members considered the range of schemes available for local residents, these are:

- New Build Homebuy –also known as shared ownership;
- MyChoiceHomeBuy – help to purchase a home on the open market;
- Ownhome – loan from Places for People to purchase a home;
- First Time Buyers Initiative -Government assistance to purchase a home (min £25,001) on a designated development;
- London Wide Initiative – support available to key workers in the form of a shared equity scheme;
- Intermediate Rent – help to rent a home at 20% to 30% less than market rate;
- Social HomeBuy – some councils and housing associations offer tenants a discount to purchase their home;
- HOLD – Homeownership for people with long-term disabilities;
- HomeBuy Direct – 5 year loan support to purchase a home in designated schemes;
- Rent to HomeBuy – rent a property at 20% less than market value and purchase at a later date.

30. Members felt there was a distinct lack of awareness in the community about these schemes apart from shared ownership. They debated whether more needed to be done to raise awareness of the services and products offered by MHO. Members suggested that Housing Options could receive further publicity and promotion through housing services. For example residents approaching Homeless Services and the Lettings Service could be sign-posted to what is available. Promotion of services in alternative languages would be beneficial. The local BME media could also be used as these communities were commonly not taking up shared ownership products. It was not clear why this might be the case but it was felt that awareness of MHO would be beneficial.

31. Poplar Harca explained how they are intending to develop a 'One Stop Shop' for housing advice to assist residents who wished to pursue homeownership. Members were keen for this model to be tested but felt that it should be placed in a central location which would be accessible for local residents.

Recommendation 1

That wider publicity and promotion is undertaken of the Housing Options service including sign-posting from Lettings and Homeless Services.

Current local affordable homeownership schemes

32. Members visited two local shared ownership schemes to consider how they work. The schemes were The Watch –Swan Housing Association and The Forge - Asset Trust Housing. During the visit the Working Group received information about the cost and demand for shared ownership stock. They noted:
- The current difficulties for developers as stock is not selling and the potential for there to be a number of empty properties;
 - There were discussions about whether the design and layout of open plan properties discouraged Asian households due to lifestyle issues. Separate provision would be much more suited because the lifestyle requires separate seating space for male and female visitors and also the types of food cooked is heavy in oil and spices which can have strong odours. Members suggested that Development and Renewal responsible for the planning framework for housing consider the provision of separate kitchen and living space in the planning of future schemes;
 - The asking prices are still too high for many local people despite the discounts being offered to attract buyers in the current market.
33. There is anecdotal evidence that a number of shared ownership units are currently void. These are competing for the Rent to Homebuy scheme (also referred to as Rent Now Buy Later) which allows the tenant to rent the property for a limited time before purchasing the property. There is a similar scheme in Newham with void properties, most of which were originally available through shared ownership. An accurate figure on the number of void properties is currently being established although this is reliant on the RSL partner being willing to share information on unsold units.
34. Members also noted that of 58 completions on shared ownership schemes only five had been from the Council waiting list for the period April to September 2008. Of these completions the income levels were £20-25,000 for two applicants and one application each from income bands £25-30,000, £35-40,000 and £ 40-45,000. Members discussed how a truly affordable model should help more people. This could include young people who may be living in overcrowded households and may have an income to maintain homeownership but are still not able to access market housing because of financial barriers. The information from Hometrack stated that 64% of local working households are priced out of the market.
35. Members noted that of the 58 completions, 68% were of White background, 12% of Asian background and 9% of Black or Black British background. No applications were received from disabled residents. For household size, 90% of completions were from adults with no children. Members felt that these statistics indicated how shared ownership was not contributing to addressing local housing issues such as overcrowding.

Recommendation 2

That the Development and Renewal Directorate consider local lifestyle issues and emphasise provision of separate kitchen and living space (not open plan) in the development of future schemes.

36. Members received a presentation about service charges and rent calculations of shared ownership schemes from Mike Tyrell, Chief Executive of Tower Hamlets Community Housing. The rent on the unsold equity of a shared ownership property is usually between 3-4% and will go up each year with inflation. It is currently less than

3%. The Working Group heard that the only way to influence the rent levels was through control of land and planning approval taking into consideration the impact it would have on the viability of the scheme. Service charges are calculated on the basis of the services received from the landlord and these can be reduced through careful design and planning. Having a lift in the property for example would incur higher costs as the service charges would include on-going maintenance and repair of the lift.

37. Having considered the above information Members concluded that shared ownership alone does not provide sufficient affordable homeownership to meet local need. The financial calculations of the rental and the mortgage element of the property did not make financial sense to local residents. The design and layout may be a discouraging factor. The high number of voids was an indicator that the model is not working for large numbers of local people. They argued that an affordable model for those on very low income needed to be developed, especially given that 18% of families in Tower Hamlets live on an annual income of less than £15,000.¹⁴ The Working Group was therefore keen to explore other models.

Alternative models for affordable homeownership

38. Geoff Pearce, Group Director of Development – East Thames Group, explained the Rent Now Buy Later scheme. This was developed in preparation for the current economic climate in anticipation that many would not be able to access the mortgage market. The scheme allows customers to “try before they buy” and rent a property for up to five years. Tenants can buy the property at any point in time and East Thames offers the first six months’ rent back at the time of purchase. Members noted the following points about the scheme:

- It is particularly attractive in the current market, characterised by poor mortgage availability, low purchaser confidence and high deposit requirements;
- Customers can demonstrate their ability to pay for a mortgage through renting over a period;
- This scheme is however currently only a Homes and Communities Agency¹⁵ (HCA) trial product;
- This scheme requires additional grant;
- Voids and repairs make this less attractive for Registered Social Landlords.

Members noted that there is high take-up of the units offered through the scheme and it appears to be well suited to the current economic climate. This model falls under intermediate renting where the rent levels are set at 80% of market value. There were concerns that 80% of market value rent in Tower Hamlets is still significantly unaffordable for local people who are in housing need. The Development and Renewal Directorate would need to work with the Homes and Communities Agency to re-assess local intermediate rent levels with a view to making it more affordable for local residents.

Recommendation 3

That the Development and Renewal Directorate work with the Homes and Communities Agency to re-assess intermediate rent levels with a view to making it affordable for local people.

¹⁴PayCheck Data 2008

¹⁵ The HCA is the national housing and regeneration agency for England.

39. The Working Group received a discussion paper from Ballymore about the 'Discounted Market Sales' model (DMS). The idea of this is to include a proportion of 'discount market sale' homes. This means that a market sale home is offered for sale by Ballymore with a discount against the open market price. There are two modelling options and these are outlined below:

Option A has discount levels set at 30% of open market value and would enable the Council to meet its target of 35% affordable housing on site. Whilst it would achieve the required number of units, it may be difficult to deliver given the current market conditions for both the developer in securing finance and for the purchaser in terms of affordability and mortgage access. This is accessible to those on joint household incomes of £50-60,000 which still precludes most local residents.

Option B would enable the scheme to be accessible to those on lower income levels (single or joint incomes of £25-35,000). There would have to be significant levels of discount against the open market value (60%) but this would have an impact on the returns gained for the developer. This can be managed by reducing the number of affordable units offered on site. However this option is not likely to produce 35% affordable housing and it is anticipated that it may be below 30%.

40. The discounted market sales model offers the opportunity to develop a new affordable housing model suited to the current economic climate. Depending on the option developed it could deliver housing to those on lower income levels. In addition there is the possibility of Tower Hamlets receiving 100% nomination rights and for the units to remain affordable in perpetuity. This will mean that the Council can nominate residents to the scheme from its housing waiting list and the property would be retained as affordable for future purchasers.

41. The DMS model generated discussions about how this might be financially modelled. Members were aware that there is a potential dilemma for Ballymore, or any developer, in meeting the demands of their own balance sheets and local housing needs. There is therefore a need for more discussion as Members and RSL partners were keen to develop this further into a working model. The Tower Hamlets Housing Forum would provide a good platform to do this.

Recommendation 4

That the Tower Hamlets Housing Forum support the development of the Discounted Market Sales model working in conjunction with developers.

42. Given the problems about shared ownership Members wanted to explore a scheme which would provide the opportunity to purchase a more affordable share. This might involve ensuring there was no rent on the proportion not purchased. The Group therefore met a resident of the Glenkerry Housing Co-operative, which offers schemes based on shared equity. Tony¹⁶ moved into Glenkerry in the mid 90s from privately rented property which he was finding unaffordable. He heard about the Co-op from a colleague, applied and, following an interview by the resident board, was successful. Tony has lived happily in Glenkerry since then. Although he is not on the management committee, he is actively involved in the operational running of the Co-op and feels that it offers real affordable homeownership.

43. Glenkerry consists of 79 1-4 bed properties. Residents hold sub-leases whilst the Council holds the freehold. Residents do not pay rent but service charges are levied and include a contribution towards heating and the sinking fund to cover for major

¹⁶ The name of the resident has been changed

works etc. Service charges are £110 - £140 monthly. There is no resident caretaker and cleaning is contracted out.

44. Discussions took place about the way the funding was set up. In buying Glenkerry House from the Greater London Council (GLC) the Co-op obtained long-term finance:
- 50% of the value came through the original sale of the Lease.
 - A further 10% was available on a long-term loan from Tower Hamlets Council.
 - The balance was covered by two outright grants (not repayable) one from Central Government and the other from the GLC. The Working Group noted that land would have to be identified and additional funding would be needed to secure housing like the Glenkerry model.
45. Members noted that shared equity can deliver affordable homeownership if more schemes could be developed locally. They felt it would be important to restrict access to local residents. Whilst appreciating the limitations of land availability and cost, Members felt that a shared equity model could increase the number of affordable homes.

Recommendation 5

That the Development and Renewal Directorate investigate the development of a shared equity scheme open only to residents of Tower Hamlets.

46. The Working Group also met David Rodgers, a Commissioner from the Commission on Co-operative and Mutual Housing, and Christine Czechowski, Housing Director for Coin Street Community Builders.
47. Coin Street Community Builders (CSCB) is a social enterprise and development trust which aims to make London's South Bank a better place in which to live, work and visit. CSCB started off as a derelict 13 acre site. It has been transformed into a thriving mixed use neighbourhood by creating new co-operative homes, shops, galleries, restaurants, cafes and bars, a park and riverside walkway and sports facilities. It has also developed by organising festivals and events and providing childcare, family support, learning, and enterprise support programmes. Set up in 1984 following local opposition to proposals for large scale office space, its development took place against the backdrop of the 80s recession, an unsettling time for commercial developers. The original developers sold the land to the GLC who in turn sold it to CSCB on the basis that a feasibility study could demonstrate housing development. Over the years CSCB has developed a number of housing schemes influenced by local people's commitment to community housing. The commercial element and housing elements of CSCB are held together by a complex legal structure. Members were inspired by the history of CSCB particularly the possibility of developing affordable housing despite legal and financial complexities.
48. In addition to his Commissioner role, David Rodgers is also Chief Executive of the Co-operative Development Society Ltd, also known as CDS Co-operatives (CDSC), they are currently investigating the community land trust (CLT) model. Their role is to submit evidence backed recommendations to local authorities and central government to pursue 'CLTs'.
49. CLTs originated from India, Australia and America and there are now over 120 CLTs operating. He argued that the model has proven sustainable even during economic crisis. In London there has been support from both Ken Livingston and Boris Johnson. The key features for a community land trust are that it has to be:

- A legally locked local asset – the asset has to be locked for the local community.
- Set-up to ensure profits are for the community and membership is open to all stakeholders.

He went on to explain mutual homeownership which underpins the model as follows:

- Land is held in perpetuity for the benefit of the local community by a community land trust and the built housing is treated as a consumer durable depreciating over its useable life of 65 years. The cost of this is financed by long-term institutional investment;
- The property is divided into equity shares and has a value that is linked to average earnings;
- Members' payment is based on 35% of net income, as their income rises they can purchase more equity shares;
- 10% deposit is required to buy into the scheme.

50. This model was debated but it did not appeal to the Working Group for a number of reasons. The 65-year life of the built house raised both financial and practical issues. The financial modelling needed to be further investigated and the risks associated with investment of any form needed to be fully explored before any decisions can be made. Members were further concerned that the requirement of a 10% deposit would mean that many local residents who need support to get into homeownership may be excluded. The link with average earnings can encourage stability and limit risk, however; the average income in Tower Hamlets is heavily influenced by those workers in Canary Wharf who are highly paid and therefore skew the local figures.

51. In conclusion, the Working Group agreed in principle with the concept of a community land trust model and felt that it can bring about greater accessibility of homeownership. The Working Group noted that the model is not a mainstream model and will not replace general social housing and is aimed at those who aspire to homeownership. Members were also aware that CLTs can operate in different ways and be financially modelled through a range of options other than the example set out by David Rodgers. They therefore considered that a feasibility study should be undertaken on the development of a local model bearing in mind the value of land in Tower Hamlets. Members felt that external expertise would provide a vital perspective to the study.

52. Introducing a CLT would be complex here as the large amount of subsidy required would challenge financial viability and its affordability for local residents. However, the reduction in land value in the current economic climate can be seen as an opportunity to consider the model. Also, the Olympic site may bring with it an opportunity to consider the development of a CLT model on the site and this should be considered by Development and Renewal in the feasibility study.

Recommendation 6

That the Development and Renewal Directorate undertake a full feasibility study to consider the development of a local community land trust model using external expertise.

Concluding remarks

53. In conclusion, the Working Group has made a number of recommendations which it feels will address two key barriers to affordable homeownership – access to services for support and development of models appropriate to local needs. Members believe that the implementation of these will address our local challenge. They believe that a shared equity scheme would be beneficial. Awareness of and access to services is crucial to give all local residents the opportunity to find out about and to take up homeownership. The promotion of Housing Options would enable this to happen. Members recognised the benefits of a community land trust model but there needed to be ample opportunity to explore different modelling options. Undertaking a feasibility study will provide the opportunity to explore other options suited to Tower Hamlets.

The remit of this review was to consider affordable homeownership. Members however were constantly drawn to the affordability factor within the negotiations for affordable housing. They felt that there needed to be more emphasis on social rented rather than shared ownership because social rented stock would meet more local need. With a wider remit, the review could have usefully further explored the negotiation of affordable housing in planning.

The recommendations contained would require our partners, through the Tower Hamlets Housing Forum to take part in developing affordable housing. The Discounted Market Sales model is an opportunity for the Council, registered social landlords (RSLs) Home Zone Agent and developers to take a practical step forward in introducing homes affordable to local people. This review has been contributed to by partner RSLs and developers, the Working Group look forward to the recommendations being developed in the same spirit of partnership.

Scrutiny and Equalities in Tower Hamlets

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**Appendix 2
Response to Scrutiny Review Working Group Report on Affordable Homeownership**

Recommendation	Response / Comments	Lead Officer	Date
<p>R1 That wider publicity and promotion is undertaken of the Housing Options service including sign-posting from Lettings and Homeless Services</p>	<p>Homeless Services and the Lettings Service are currently being re-structured into one section under Development and Renewal Directorate and a Housing Options service will be set up as part of this. A review is currently underway to configure how best to set up the new service and this will include more publicity of the housing options open to residents. A successful Housing Options Open Day was held this year and is programmed to take place next year.</p>	<p>Jackie Odunoye, Head of Strategy, Development and Renewal</p>	<p>October 2009 April 2010 August 2010</p>
<p>R2 That the Development and Renewal Directorate consider local lifestyle issues and emphasise provision of separate kitchen and living space (not open plan) in the development of future schemes</p>	<p>In all planning pre-application meetings officers do try to influence the design of affordable housing units and stress that there should be separate kitchen areas in family sized units. However, this is not currently written into our planning policy. As our new Local Development Framework emerges it will be supported by a range of Supplementary Planning</p>	<p>Jen Richardson, Strategy Officer, Development and Renewal</p>	<p>March 2011</p>

	<p>Documents (SPDs). The Housing SPD will specify the need for the separation of kitchen facilities in family sized housing units. The Greater London Authority Design Guide also now requires the separation of kitchens in units larger than 3 bedrooms.</p>		
<p>R3 That the Development and Renewal Directorate work with the Homes and Communities Agency to re-assess intermediate rent levels with a view to making it affordable for local people</p>	<p>Development and Renewal has continuously lobbied the Homes and Communities Agency (HCA) to reduce intermediate rent levels. This was also raised during the consultation on the Mayor's Housing Strategy. HCA rent levels (when grants are involved) are determined nationally and based on a percentage of private sector rent levels. We have always argued that intermediate rent levels should be based on social rent levels plus a percentage. Development and Renewal will continue to push for affordable intermediate rent levels.</p>	<p>Jackie Odunoye, Head of Strategy, Development and Renewal</p>	<p>On-going</p>
<p>R4 That the Tower Hamlets Housing Forum support the development of the Discounted Market Sales model working in conjunction with developers</p>	<p>A pilot model has been prepared on a site in Millharbour, London E14; it is currently in pre-application stage with planners. This model will be presented to the Tower Hamlets Housing Forum (THHF) for discussion around future developments.</p>	<p>Alison Thomas, Private Sector and Affordable Housing Manager</p>	<p>April 2010</p>

<p>R5 That the Development and Renewal Directorate investigate the development of a shared equity scheme open only to residents of Tower Hamlets</p>	<p>See response to Recommendation 6. In addition, when HCA or other grant funding is involved we cannot specify a scheme is open only to local people.</p>	<p>N/A</p>	<p>N/A</p>
<p>R6 That the Development and Renewal Directorate undertake a full feasibility study to consider the development of a local community land trust model using external expertise</p>	<p>Whilst Development and Renewal understands the rationale behind this model, it feels it is not financially viable. With the support of London Development Agency, Greater London Authority and the Homes and Communities Agency a feasibility study has been undertaken with external experts on a site identified in Tower Hamlets. This shows that the models are not financially sound even where free land has been submitted by the Council or with grants obtained from external bodies such as the HCA. Financially it does not work for those on low incomes or for family size units. The other challenge is that in the current economic climate it is increasingly difficult to secure mortgages on these models. The outcomes of this feasibility will be discussed with the Scrutiny Lead for A Great Place to Live to ensure Members are aware of the development of this concept.</p>	<p>N/A</p>	<p>N/A</p>